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**HOUSING AUTHORITY OF THE
CITY OF MORGAN CITY**

Program Number FW-1403

Financial Report
Year Ended September 30, 2007

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Housing Authority of the City of Morgan City
Morgan City, Louisiana

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Morgan City (hereinafter "the Authority"), as of and for the year ended September 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance, with *Government Auditing Standards*, we have also issued our report dated March 28, 2008 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Authority has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying financial data schedules (FDS) and supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Authority. Additionally, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of the Authority. The financial data schedules, supplemental information, and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City Louisiana
March 28, 2008

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Statement of Net Assets
September 30, 2007

ASSETS

Current assets:

Cash	\$ 456,586
Receivables	
HUD	36,954
Other	5,264
Prepaid expenses	130,013
Inventories	<u>26,321</u>
Total current assets	655,138

Restricted assets:

Cash - Tenant Deposits	35,233
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Property and equipment, net	<u>2,922,170</u>
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Total assets	<u>\$ 3,612,541</u>
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The accompanying notes are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Statement of Net Assets (continued)
September 30, 2007

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 87,566
Accrued expenses	83,376
Deferred revenues	<u>3,400</u>
Total current liabilities	<u>174,342</u>

Noncurrent liabilities:

Compensated absences payable	<u>6,030</u>
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Total liabilities	<u>180,372</u>
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Net assets:

Invested in capital assets	2,922,170
Unrestricted	<u>509,999</u>

Total net assets	<u>3,432,169</u>
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Total liabilities and net assets	<u>\$ 3,612,541</u>
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HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Statements of Revenues, Expenses and Changes in Net Assets
Year Ended September 30, 2007

Operating revenues	
Rental	\$ 360,637
Maintenance and other tenant revenue	129,524
HUD operating grants	<u>1,218,347</u>
Operating revenues	<u>1,708,508</u>
Expenses:	
Administrative	364,613
Depreciation	461,796
Tenant Services	4,601
Operating and maintenance	734,130
General	247,254
Utilities	<u>416,205</u>
Total expenses	<u>2,228,599</u>
Operating loss	<u>(520,091)</u>
Non-operating revenues:	
Capital grant	77,176
Interest income	2,977
Other non-tenant revenues	<u>110,681</u>
Total non-operating revenues	<u>190,834</u>
Net loss	(329,257)
Net assets, beginning	<u>3,761,426</u>
Net assets, end	<u>\$ 3,432,169</u>

The accompanying notes are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Statement of Cash Flows
Year Ended September 30, 2007

OPERATING ACTIVITIES

Rents and other fees collected from tenants	\$ 493,707
Operating subsidy received	1,147,986
Paid to suppliers and employees	<u>(1,979,285)</u>
Net cash provided by operating activities	<u>(337,592)</u>

CAPITAL AND RELATED FINANCING ACTIVITIES

Grant proceeds	337,211
Purchase/Construction of capital assets	<u>(77,176)</u>
Net cash used for capital and related financing activities	<u>260,035</u>

NONCAPITAL AND RELATED FINANCING ACTIVITIES

Other receipts	<u>110,682</u>
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INVESTING ACTIVITIES

Interest income	<u>2,977</u>
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Net decrease in cash	36,102
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Cash and restricted cash, beginning	<u>455,717</u>
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Cash and restricted cash, ending	<u>\$ 491,819</u>
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Reconciliation of income from operations to net cash provided by operating activities:

Loss from operations	\$ (520,091)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities -	
Depreciation	461,796
Increase or decrease in:	
Accounts receivable	(27,994)
Prepaid expenses	(10,782)
Inventories	(11,736)
Accounts payable	(217,015)
Accrued expenses	<u>(11,770)</u>
Net cash provided by operating activities	<u>\$ (337,592)</u>

The accompanying notes are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

A. Nature of Organization and Operations

The Housing Authority of the City of Morgan City ("Authority") is a 330-unit apartment complex for persons of low income. The Authority also administers a Section 8 Rental Voucher Program.

The Authority is a municipal corporation located in Morgan City, Louisiana and was established under the provisions of LSA-RS 40:381 et seq for the purpose of providing decent, safe and sanitary housing for persons of low income. The Authority is engaged in the acquisition, modernization, and administration of low-rent housing. The Authority is administered by a governing Board of Commissioners (the Board), whose members are appointed by the Mayor of the City of Morgan City, Louisiana. Each member serves a four-year term on a rotating basis. Substantially all of the Authority's revenue is derived from subsidy contracts with the U. S. Department of Housing and Urban Development (HUD). The annual contributions contracts entered into by the Authority and HUD provide operating subsidies for Authority-owned public housing facilities for eligible individuals.

B. Reporting Entity

Generally accepted accounting principles require that the financial statements present the accounts and operations of the Authority and its component units, entities for which the Authority is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Authority's operations and data from these units, if any, are combined with data of the Authority. Each discretely presented component unit, if any would be reported in a separate column in the combined financial statements to emphasize that it is legally separate from the Authority. As of September 30, 2007, and for the fiscal year then ended, the Authority had no discretely presented component units or any component units required to be blended in these financial statements.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Notes to Financial Statements (continued)

C. Fund Accounting

The Authority is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where (a) the intent of the governing body is that the cost (expense, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. Basis of Accounting

The financial statements of the Housing Authority of the City of Morgan City have been prepared in conformity with accounting principles generally accepted in the United States of America and, as a governmental entity provides certain disclosures required by the Governmental Accounting Standards Board. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Pursuant to Government Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 in preparing financial statements and related disclosures unless those pronouncements conflict or contradict Governmental Accounting Standards Board (GASB) pronouncements.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund is included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred, regardless of the timing of the related cash flows.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Notes to Financial Statements (continued)

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

F. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid expenses consist primarily of prepaid insurance.

G. Fixed Assets and Depreciation

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful life of the assets. The Authority has a policy in place which requires the capitalization of all asset purchases of \$5,000 or greater.

Depreciation of all exhaustible fixed assets used by enterprise funds is charged as an expense against operations; and accumulated depreciation is reported on the balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	20 years
Building Improvements	10 years
Equipment	3 - 7 years
Site Improvements	20 years
Non-dwelling Structures	20 years

The recognition of depreciation begins upon placement of the asset into useful operation.

H. Cash Equivalents

Cash includes amounts in demand deposits and interest bearing demand deposits. Cash equivalents include amounts in time deposits having a maturity of three months or less when purchased.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Notes to Financial Statements (continued)

I. Inventories

Inventories are stated at cost using the first-in first-out, (FIFO) method.

J. Retirement Plan

The Authority provides benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate after a three month exclusionary period. The entity's contributions for each employee (and interest allocated to the employee's account) are vested 20% annually for each year of participation. An employee is fully vested after 5 years of participation.

K. Compensated Absences

Employees earn annual leave based upon years of service, and may accrue up to 300 hours. Sick time is earned but not accrued since it is dependent upon a future event. Upon termination all accrued annual leave is paid.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
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Notes to Financial Statements (continued)

(2) Cash and Certificates of Deposits

Under state law, the Authority may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Authority may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2007, the Authority had cash and interest-bearing deposits (book balances) totaling \$491,819.

Under state law, deposits, (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the Authority or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties. The following is a summary of deposit balances (bank balances) at September 30, 2007, and the related federal insurance and pledged securities:

Bank balances	<u>\$522,010</u>
Federal deposit insurance	\$100,002
Pledged securities	<u>422,008</u>
Total federal insurance and pledged securities	<u>\$522,010</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Authority's deposits may not be recovered or will not be able to recover collateral securities that are in the possession of an outside party. As of September 30, 2007, the Authority's total bank balances were fully insured and collateralized with securities held in the name of the Authority by the pledging financial institution's agent and therefore not exposed to custodial credit risk.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Notes to Financial Statements (continued)

(3) Receivables

At September 30, 2007 receivables consisted of the following:

	Low Rent	Capital Fund Program	Total
Accounts	\$ 5,264	\$ -	\$ 5,264
Grants - HUD	-	36,954	36,954
	<u>5,264</u>	<u>36,954</u>	<u>42,218</u>
Total	<u>\$ 5,264</u>	<u>\$ 36,954</u>	<u>\$ 42,218</u>

(4) Property and Equipment

A summary of property and equipment at September 30, 2007, follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 165,000	\$ -	\$ -	\$ 165,000
Construction in progress	471,645	14,080	485,725	-
Buildings	2,006,605	-	-	2,006,605
Office furniture and equipment	278,951	57,361	36,631	299,681
Leasehold improvements	<u>8,314,228</u>	<u>491,460</u>	<u>-</u>	<u>8,805,688</u>
Total	<u>\$ 11,236,429</u>	<u>\$ 562,901</u>	<u>\$ 522,356</u>	<u>\$ 11,276,974</u>
Accumulated depreciation	<u>\$ 7,929,640</u>	<u>\$ 461,795</u>	<u>\$ 36,631</u>	<u>\$ 8,354,804</u>

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Notes to Financial Statements (continued)

(5) Net Assets

None of the Authority's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets under SFAS No. 117.

(6) Current Vulnerability Due to Certain Concentrations

The Authority's major asset is a 330-unit apartment complex. The Authority's operations are concentrated in the multifamily real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including additional administrative burden, to comply with a change.

(7) Contingencies

The Authority participates in a number of federally assisted grant programs and are subject to compliance audits under the single audit approach. Such audits could lead to request for reimbursement by the grantor agencies for expenses disallowed under the terms of the grants. The Authority's management believes that the extent of such disallowance, if any, which may arise will not be material.

SUPPLEMENTAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Combining Schedule of Net Assets
September 30, 2007

	Low Rent	Capital Fund Program	Section 8 Choice Voucher Program	Eliminations	TOTAL
Current assets:					
Cash	\$ 258,576	\$ 10,558	\$ 187,452	\$ -	\$ 456,586
Receivables					
HUD	-	36,954	-	-	36,954
Other	5,264	-	-	-	5,264
Prepaid expenses	130,013	-	-	-	130,013
Inventories	26,321	-	-	-	26,321
Interprogram - due from	42,438	47,952	-	(90,390)	-
Total current assets	<u>462,612</u>	<u>95,464</u>	<u>187,452</u>	<u>(90,390)</u>	<u>655,138</u>
Restricted assets:					
Cash - tenant deposits	<u>35,233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,233</u>
Property and equipment:					
Land	165,000	-	-	-	165,000
Construction in progress	-	-	-	-	-
Buildings	2,006,605	-	-	-	2,006,605
Nondwelling equipment	223,768	57,361	18,552	-	299,681
Improvements	8,314,228	491,460	-	-	8,805,688
Total fixed assets	<u>10,709,601</u>	<u>548,821</u>	<u>18,552</u>	<u>-</u>	<u>11,276,974</u>
Less: accumulated depreciation	<u>8,288,264</u>	<u>47,988</u>	<u>18,552</u>	<u>-</u>	<u>8,354,804</u>
Net fixed assets	<u>2,421,337</u>	<u>500,833</u>	<u>-</u>	<u>-</u>	<u>2,922,170</u>
Total assets	<u>\$ 2,919,182</u>	<u>\$ 596,297</u>	<u>\$ 187,452</u>	<u>\$ (90,390)</u>	<u>\$ 3,612,541</u>
Current liabilities:					
Accounts payable	\$ 86,066	\$ -	\$ 1,500	\$ -	\$ 87,566
Accrued wages payable	21,090	-	-	-	21,090
Accrued compensated absences	6,385	-	885	-	7,270
Accrued liabilities - other	29,768	-	-	-	29,768
Tenant security deposits	25,248	-	-	-	25,248
Deferred revenues	566	2,834	-	-	3,400
Interprogram - due to	47,952	34,120	8,318	(90,390)	-
Total current liabilities	<u>217,075</u>	<u>36,954</u>	<u>10,703</u>	<u>(90,390)</u>	<u>174,342</u>
Noncurrent liabilities:					
Compensated absences payable	<u>6,030</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,030</u>
Total liabilities	<u>223,105</u>	<u>36,954</u>	<u>10,703</u>	<u>(90,390)</u>	<u>180,372</u>
Net assets:					
Invested in capital assets	2,421,337	500,833	-	-	2,922,170
Unrestricted	<u>274,740</u>	<u>58,510</u>	<u>176,749</u>	<u>-</u>	<u>509,999</u>
Total net assets	<u>2,696,077</u>	<u>559,343</u>	<u>176,749</u>	<u>-</u>	<u>3,432,169</u>
Total liabilities and net assets	<u>\$ 2,919,182</u>	<u>\$ 596,297</u>	<u>\$ 187,452</u>	<u>\$ (90,390)</u>	<u>\$ 3,612,541</u>

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Combining Schedule Revenues, Expenses and Changes in Net Assets
Year Ended September 30, 2007

	Low Rent	Capital Fund Program	Section 8 Choice Voucher Program	TOTAL
Operating revenues:				
Tenant				
Rental	\$ 360,637	\$ -	\$ -	\$ 360,637
Maintenance and other	129,524	-	-	129,524
HUD operating grants	630,132	243,154	345,061	1,218,347
Total operating revenues	<u>1,120,293</u>	<u>243,154</u>	<u>345,061</u>	<u>1,708,508</u>
Expenses:				
Administrative -				
Auditing fees	-	11,270	-	11,270
Bookkeeping/Accounting fees	8,460	-	3,790	12,250
Compensated Absences	362	-	(740)	(378)
Conventions and meetings	5,663	-	2,892	8,555
Office	6,834	-	1,879	8,713
Other Operating - Administrative	101,131	10,909	9,334	121,374
Salaries and benefits	185,368	-	17,461	202,829
Total administrative expenses	<u>307,818</u>	<u>22,179</u>	<u>34,616</u>	<u>364,613</u>
Depreciation	<u>413,808</u>	<u>47,988</u>	<u>-</u>	<u>461,796</u>
Tenant Services-				
Relocation Costs	1,875	-	625	2,500
Tenant Services- other	1,764	-	337	2,101
Total tenant services	<u>3,639</u>	<u>-</u>	<u>962</u>	<u>4,601</u>
Operating and maintenance -				
Contract costs	-	64,267	228,012	292,279
Salaries and benefits	223,148	36,704	5,674	265,526
Extraordinary Maintenance	84,301	-	-	84,301
Supplies	54,471	37,204	349	92,024
Total operating and maintenance expenses	<u>361,920</u>	<u>138,175</u>	<u>234,035</u>	<u>734,130</u>
General-				
Property and liability insurance	230,225	-	438	230,663
General- Other	16,591	-	-	16,591
Total General expenses	<u>246,816</u>	<u>-</u>	<u>438</u>	<u>247,254</u>

(continued)

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Combining Schedule Revenues, Expenses and Changes in Net Assets (continued)
Year Ended September 30, 2007

	Low Rent	Capital Fund Program	Section 8 Choice Voucher Program	TOTAL
Utilities -				
Electricity	233,527	-	-	233,527
Garbage and trash removal	38,676	-	-	38,676
Gas	103,561	-	-	103,561
Labor	500	-	-	500
Water	39,941	-	-	39,941
Total utilities expenses	<u>416,205</u>	<u>-</u>	<u>-</u>	<u>416,205</u>
 Total expenses	 <u>1,750,206</u>	 <u>208,342</u>	 <u>270,051</u>	 <u>2,228,599</u>
 Operating income (loss)	 <u>(629,913)</u>	 <u>34,812</u>	 <u>75,010</u>	 <u>(520,091)</u>
Non-operating revenues:				
Capital grant	-	77,176	-	77,176
Interest income	2,012	-	965	2,977
Other	110,681	-	-	110,681
Total non-operating revenues	<u>112,693</u>	<u>77,176</u>	<u>965</u>	<u>190,834</u>
Other financing sources (uses)				
Transfer in	82,800	-	-	82,800
Transfer out	-	(82,800)	-	(82,800)
Total other financing sources (uses)	<u>82,800</u>	<u>(82,800)</u>	<u>-</u>	<u>-</u>
 Net income (loss)	 <u>(434,420)</u>	 <u>29,188</u>	 <u>75,975</u>	 <u>(329,257)</u>
Net assets, beginning of year	2,408,063	1,252,589	100,774	3,761,426
Prior period adjustments	<u>722,434</u>	<u>(722,434)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 2,696,077</u>	<u>\$ 559,343</u>	<u>\$ 176,749</u>	<u>\$ 3,432,169</u>

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2007

<u>Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Contract/ Grant Number</u>	<u>Federal Expenditures</u>
<u>Department of Housing and Urban Development:</u>			
Direct Programs:			
Public and Indian Housing	14.850	LA036-001	\$ 630,132
Section 8 Housing Choice Vouchers	14.871	LA221	345,061
Public Housing Capital Fund Program	14.872	LA48P036501-04	19,934
		LA48P036501-05	<u>300,396</u>
			<u>\$ 1,295,523</u>

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number PW-1403

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2007

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Housing Authority of the City of Morgan City (the Authority). The Authority's reporting entity is defined in Note 1 to the financial statements for the year ended September 30, 2007. All federal financial assistance is received directly from federal agencies and is included on the schedule of expenditures of federal awards. The major federal programs of the Authority were the Low Income Housing Operating Subsidy, the Section 8 Housing Choice Vouchers and Public Housing Capital Fund Program, all received directly from the United States Department of Housing and Urban Development.

(2) Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting.

(3) Relationship to Financial Statements

Amounts reported in the Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports, except for adjustments required to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Schedule of Capital Fund Program Costs
Year Ended September 30, 2007

	LA48PO36501-04	LA48PO36501-05	TOTAL
Funds approved	\$ 554,179	\$ 541,875	\$ 1,096,054
Funds expended			
Prior years	534,145	100,184	634,329
Current	19,934	300,396	320,330
Total funds expended	554,079	400,580	954,659
Excess funds approved	\$ 100	\$ 141,295	\$ 141,395
Funds advanced			
Amounts receivable	\$ 19,241	264,135	\$ 283,376
Funds expended	693	36,261	36,954
	(19,934)	(300,396)	(320,330)
Excess funds advanced	\$ -	\$ -	\$ -

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Financial Data Schedule - Balance Sheet
September 30, 2007

	Account Description	Low Rent 14.850a	Capital Fund Program (CFP) 14.872	Section 8 Housing Choice Vouchers 14.871	TOTAL
Line Item #					
	ASSETS:				
	CURRENT ASSETS:				
	Cash:				
111	Cash - unrestricted	258,576	10,558	187,452	456,586
114	Cash - tenant security deposits	35,233	-	-	35,233
100	Total cash	293,809	10,558	187,452	491,819
	Accounts and notes receivables:				
122	Accounts receivable - HUD other projects	-	36,954	-	36,954
124	Accounts receivable - other government	-	-	-	-
125	Accounts receivable - miscellaneous	-	-	-	-
126	Accounts receivable- tenants - dwelling rents	5,264	-	-	5,264
126.1	Allowance for doubtful accounts - dwelling rents	-	-	-	-
120	Total receivables, net of allowances for doubtful accounts	5,264	36,954	-	42,218
	Current investments				
142	Prepaid expenses and other assets	130,013	-	-	130,013
143	Inventories	26,321	-	-	26,321
144	Interprogram - due from	42,438	47,952	-	90,390
150	TOTAL CURRENT ASSETS	497,845	95,464	187,452	780,761
	NONCURRENT ASSETS:				
	Fixed assets:				
161	Land	165,000	-	-	165,000
162	Buildings	2,006,605	-	-	2,006,605
163	Furniture, equipment & machinery - dwellings	-	-	-	-
164	Furniture, equipment & machinery - administration	223,768	57,361	18,552	299,681
165	Leasehold improvements	8,314,228	491,460	-	8,805,688
166	Accumulated depreciation	(8,288,264)	(47,988)	(18,552)	(8,354,804)
160	Total fixed assets, net of accumulated depreciation	2,421,337	500,833	-	2,922,170
180	TOTAL NONCURRENT ASSETS	2,421,337	500,833	-	2,922,170
190	TOTAL ASSETS	2,919,182	596,297	187,452	3,702,931
	LIABILITIES AND EQUITY:				
	LIABILITIES:				
	Current Liabilities				
312	Accounts payable < 90 days	86,066	-	-	86,066
321	Accrued wage/payroll taxes payable	21,090	-	-	21,090
322	Accrued compensated absences - current portion	6,385	-	885	7,270
331	Accounts payable - HUD PHA programs	-	-	1,500	1,500
333	Accounts payable - other government	-	-	-	-
341	Tenant security deposits	25,248	-	-	25,248
342	Deferred revenues	566	2,834	-	3,400
346	Accrued liabilities - other	29,768	-	-	29,768
347	Interprogram - due to	47,952	34,120	8,318	90,390
310	TOTAL CURRENT LIABILITIES	217,075	36,954	10,703	264,732

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Financial Data Schedule - Balance Sheet
September 30, 2007

	Account Description	Low Rent 14.850a	Capital Fund Program (CFP) 14.872	Section 8 Housing Choice Vouchers 14.871	TOTAL
	Non Current Liabilities				
354	Accrued Compensated Absences - non current	6,030	-	-	6,030
350	TOTAL NONCURRENT LIABILITIES	6,030	-	-	6,030
300	TOTAL LIABILITIES	223,105	36,954	10,703	270,762
	EQUITY:				
501	Investment in general fixed assets	-	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	2,421,337	500,833	-	2,922,170
512.1	Unrestricted Net Assets	274,740	58,510	176,749	509,999
513	TOTAL EQUITY/NET ASSETS	2,696,077	559,343	176,749	3,432,169
600	TOTAL LIABILITIES and EQUITY/NET ASSETS	2,919,182	596,297	187,452	3,702,931
	Proof of concept	-	-	-	-

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Financial Data Schedule -Revenue and Expenses
Year Ended September 30, 2007

	Account Description	Low Rent 14.850a	Capital Fund Program (CFP) 14.872	Section 8 Housing Choice Vouchers 14.871	TOTAL
	REVENUE:				
703	Net tenant rental revenue	360,637	-	-	360,637
704	Tenant revenue - other	129,524	-	-	129,524
705	Total tenant revenue	490,161	-	-	490,161
706	HUD PHA operating grants	630,132	243,154	345,061	1,218,347
706	Capital Grants	-	77,176	-	77,176
711	Investment income - unrestricted	2,012	-	965	2,977
715	Other revenue	110,681	-	-	110,681
716	Gain or loss on sale of fixed assets	-	-	-	-
700	TOTAL REVENUE	1,232,986	320,330	346,026	1,899,342
	EXPENSES:				
	Administrative				
911	Administrative salaries	152,858	-	17,461	170,319
912	Auditing fees	-	11,270	-	11,270
914	Compensated absences	362	-	(740)	(378)
915	Employee benefit contributions- administrative	32,510	-	5,674	38,184
916	Other operating- administrative	122,088	10,909	17,895	150,892
	Subtotal	307,818	22,179	40,290	370,287
	Tenant Services				
922	Relocation Costs	1,875	-	625	2,500
924	Tenant Services- other	1,764	-	337	2,101
	Subtotal	3,639	-	962	2,500
	Utilities				
931	Water	39,941	-	-	39,941
932	Electricity	233,527	-	-	233,527
933	Gas	103,561	-	-	103,561
935	Labor	500	-	-	500
938	Other utilities expense	38,676	-	-	38,676
	Subtotal	416,205	-	-	416,205
	Ordinary maintenance & operation				
941	Ordinary maintenance and operations - labor	195,469	34,215	-	229,684
942	Ordinary maintenance and operations - materials & other	54,471	37,204	349	92,024
943	Ordinary maintenance and operations - contract costs	-	64,267	2,634	66,901
945	Employee benefit contributions- ordinary maintenance	27,679	2,489	-	30,168
	Subtotal	277,619	138,175	2,983	418,777
	General expenses				
961	Insurance premiums	230,225	-	438	230,663
962	Other general expenses	16,591	-	-	16,591
963	Payments in lieu of taxes	-	-	-	-
	Subtotal	246,816	-	438	247,254

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Financial Data Schedule -Revenue and Expenses
Year Ended September 30, 2007

	Account Description	Low Rent 14.850a	Capital Fund Program (CFP) 14.872	Section 8 Housing Choice Vouchers 14.871	TOTAL
969	TOTAL OPERATING EXPENSES	1,252,097	160,354	44,673	1,452,523
970	EXCESS OPERATING REVENUE OVER OPERATING	(19,111)	159,976	301,353	442,218
971	Extraordinary maintenance	84,301	-	-	84,301
973	Housing assistance payments	-	-	225,378	225,378
974	Depreciation expense	413,808	47,988	-	461,796
900	TOTAL EXPENSES	1,750,206	208,342	270,051	2,139,697
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER	(517,220)	111,988	75,975	(240,355)
	Other Financing Sources (Uses)				
1001	Operating transfers in	82,800			82,800
1002	Operating transfers out		82,800		82,800
	Total	82,800	82,800	-	165,600
	Net Revenue over (under) Expense	(434,420)	29,188	75,975	(74,755)
	MEMO account information				
1103	Beginning equity	2,408,063	1,252,589	100,774	3,761,426
1104	Prior period adjustments, equity transfers and correction of errors	722,434	(722,434)		-
1120	Unit months available				-
1121	Number of unit months leased				-
	Equity Roll Forward Test:				
	Calculation from R/E Statement	2,696,077	559,343	176,749	3,432,169
	B/S Line 513	2,696,077	559,343	176,749	3,432,169
	Difference	-	-	-	-

**REPORTS AND SCHEDULES REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
AND OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULAR A-133**

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Commissioners
Housing Authority of the City of Morgan City
Morgan City, Louisiana

We have audited the financial statements of the business-type activities of Housing Authority of the City of Morgan City (hereinafter "the Authority"), as of and for the year ended September 30, 2007, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood

that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 07-01, to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management and others within the organization and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document in accordance with LSA-R.S. 44:6.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 28, 2008

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Commissioners
Housing Authority of the City of Morgan City
Morgan City, Louisiana

Compliance

We have audited the compliance of the Housing Authority of the City of Morgan City (hereinafter "Authority"), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness as described above.

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, and others within the organization, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document in accordance with LSA-R.S. 44:6.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 28, 2008

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Schedule of Findings and Questioned Costs
Year Ended September 30, 2007

Part I. Summary of Auditor's Results

- i. An unqualified opinion has been issued on the financial statements.
- ii. A significant deficiency in internal control was disclosed by the audit of the financial statements and the condition is considered a material weakness.
- iii. No instances of noncompliance were disclosed by the audit of the financial statements.
- iv. No significant deficiencies in internal control over major programs were disclosed.
- v. An unqualified opinion was issued on compliance for the major programs.
- vi. The audit did not disclose any findings required to be reported under §_510(a) of OMB Circular A-133.
- vii. All major programs have oversight by HUD and are identified as follows:

<u>CFDA#</u>	<u>Name of Program</u>
14.850	Low Income Housing Operating Subsidy
14.871	Section 8 Housing Choice Vouchers
14.872	Public Housing Capital Fund Program

- viii. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- ix. The auditee did not qualify as a low risk auditee under §_530 of Circular A-133.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Schedule of Findings and Questioned Costs (continued)
Year Ended September 30, 2007

Part II. Findings required to be reported in accordance with Government Auditing Standards

(07-01) Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: SAS55, Consideration of Internal Control in a Financial Statement Audit, as amended by SAS78, Consideration of Internal Control in a Financial Statement Audit: An Amendment to Statement on Auditing Standards No. 55, AU §319.06 defines internal control as follows:

"Internal control is a process – effected by an entity's board of directors, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

CAUSE: The cause of the condition is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the entity, the achievement of adequate segregation may not be feasible

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Schedule of Findings and Questioned Costs (continued)
Year Ended September 30, 2007

Part III. Findings and questioned costs for Federal awards defined in OMB Circular A-133, §510(a)

No findings are reported in this section.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2007

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken (Yes, No, Partially)	Planned Corrective Action/Partial Corrective Action Taken
Section I - GAO and A-133 internal control and compliance material to financial statements and federal programs				
<u>Internal Control</u>				
06-01	2002	Accounting and financial functions are not adequately segregated.	No	See corrective action plan for current year findings

Compliance

No findings were reported in this section

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Corrective Action Plan for Current Year Findings
Year Ended September 30, 2007

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Questioned Cost	Corrective Action Planned	Name of Contact Person	Anticipated Date Of Completion
Section I - Internal control and compliance material to financial statements						
<u>Internal Control</u>						
07-01	2002	Inadequate segregation of duties in the summarization, processing, reporting and reconciliation of accounting data.	N/A	No corrective action is planned. Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.	N/A	N/A

Compliance

No findings are reported in this section

Section II - Other internal control and compliance

Internal Control

No findings are reported in this section

Compliance

No findings are reported in this section